



WEEKLY ECONOMIC DIGEST

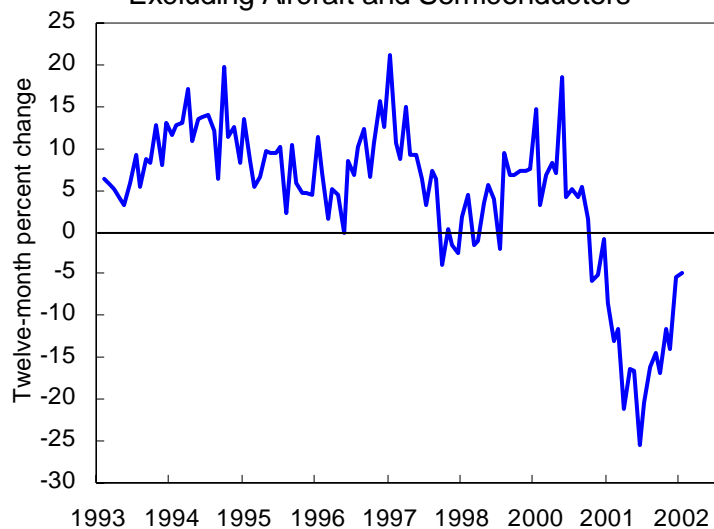


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
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July 9, 2002

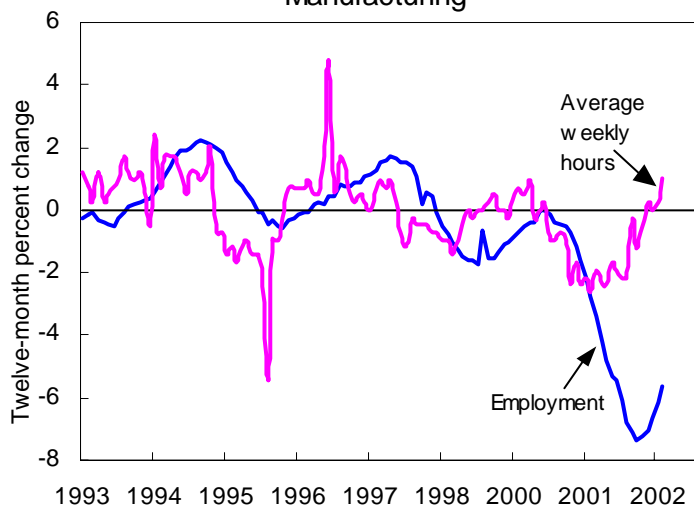
Manufacturing Continues to Recover, but Hiring Remains Sluggish

New Orders for Nondefense Capital Goods
Excluding Aircraft and Semiconductors



Source: Census Bureau, U.S. Department of Commerce.

Employment and Average Hours in
Manufacturing



Source: Bureau of Labor Statistics, U.S. Department of Labor.

- **Manufacturing activity continued to recover in recent months.** New orders for non-defense capital goods (excluding aircraft and semiconductors) increased by 1.2 percent in May, following a 5.3 rise in April. Although those new orders remained 4.8 percent below year-earlier levels, the recent increases bode well for the recovery in capital investment. New orders and production continued to rise in June, according to the Institute for Supply Management survey of purchasing managers.
- **Factory employment losses have diminished.** Factories reported 23,000 fewer jobs in June than a month earlier. That decline was the twenty-third consecutive monthly drop in factory employment, and it left factories with 5.6 percent fewer jobs than a year earlier. However, the declines have moderated in recent months.
- **Hours worked in manufacturing rose in June.** Factory workers worked longer hours, on average, last month. The average workweek in manufacturing rose to 41.1 hours in June, the highest level since January 2001. Average weekly overtime hours rose to their highest levels since November 2000. The rise in average weekly hours more than offset the decline in employment, and total weekly hours worked in manufacturing rose by 0.3 percent in June. Such trends in hours and employment are typical of the early stages of a recovery, when employers can meet rising demand with their existing workforce.
- **Overall unemployment inched up in June.** The civilian unemployment rate rose slightly to 5.9 percent last month. The total number of payroll jobs rose a scant 36,000.

Economy At A Glance	Jun	May	Apr	Mar	2002 Qtr 2	2002 Qtr 1	2001 Qtr 4	2001 Qtr 3	2001	2000
Economic Activity										
Real GDP (% growth)						6.1	1.7	-1.3	1.2	4.1
Industrial Production (% growth)		2.4	3.7	4.9		2.8	-6.7	-4.7	-3.9	4.5
Capacity Utilization (Level, %)		75.5	75.4	75.3		75.1	74.7	76.2	76.8	81.8
Civilian Unemployment Rate (Level, %)	5.9	5.8	6.0	5.7	5.9	5.6	5.6	4.8	4.8	4.0
Housing Starts (Thousands)		1733	1555	1644		1715	1573	1603	1603	1569
Real Disposable Personal Income (% growth)		3.7	-0.9	2.2		13.8	-8.1	12.3	3.6	3.5
Retail Sales (% growth) *		-10.1	15.0	-1.1		-2.4	12.9	-0.9	3.8	6.7
Personal Saving Rate (Level, %)		3.1	2.8	3.0		2.9	0.4	3.8	1.6	1.0
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)		0.0	6.2	3.7		1.4	-0.3	0.7	2.8	3.4
Core CPI-U Inflation (% growth)		2.4	3.7	1.2		2.3	2.7	2.7	2.7	2.4
Compensation per Hour (% growth)						3.6	4.2	3.7	4.1	4.5
Output per Hour (% growth)						8.4	5.5	1.1	1.9	3.3
Financial Markets										
T-Bill Rate, 3-month (Level, %)	1.7	1.7	1.7	1.8	1.7	1.7	1.9	3.2	3.4	5.8
T-Note Rate, 10-years (Level, %)	4.9	5.2	5.2	5.3	5.1	5.1	4.8	5.0	5.0	6.0
Federal Funds Rate (Level, %)	1.8	1.8	1.8	1.7	1.8	1.7	2.1	3.5	3.9	6.2
Dow Jones Industrial Avg (Index Level)	9492	10080	10165	10501	9913	10105	9641	9934	10189	10735

Sources: Bureau of Economic Analysis, US Department of Commerce; US Bureau of the Census; Board of Governors of the Federal Reserve System; Bureau of Labor Statistics, US Department of Labor; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

* Subject to revision this week.

Upcoming Economic Releases:

- **Import and Export Price Indexes, June** [Release: Wednesday, July 10, 2002]
- **Producer Price Indexes, June** [Release: Thursday, July 11, 2002]
- **Retail Sales, June (Advance)** [Release: Friday, July 12, 2002]
- **Business Inventories and Sales, May** [Release: Monday, July 15, 2002]